

**MCBRIDE SHOPA & COMPANY, P.A.**

**RED CLAY CONSOLIDATED  
SCHOOL DISTRICT**

**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

**JUNE 30, 2007**

**FIELDWORK END DATE: APRIL 15, 2008**

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

Robert J. Andrzejewski, Ed. D  
Superintendent  
Red Clay Consolidated School District  
4550 New Linden Hill Road  
Wilmington, DE 19808

The Honorable Valerie A. Woodruff  
Secretary, Department of Education  
Townsend Building, Suite 2  
401 Federal Street  
Dover, DE 19901

We have performed the procedures enumerated below, which were agreed to by Red Clay Consolidated School District, the Office of Auditor of Accounts, and the State of Delaware Department of Education. The procedures were performed solely to assist the specified parties in evaluating the School District's compliance with criteria from the State of Delaware Fixed Asset Policy Manual, the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code, and the State of Delaware Budget and Accounting Manual. Red Clay Consolidated School District's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards* (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

Our procedures disclosed no instances of noncompliance that resulted in findings and recommendations.

2. Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Our procedures disclosed instances of noncompliance that resulted in Finding #07-01, Finding #07-02 and related recommendations. See *Appendix A*.

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3. Determine if expenditures are accurately stated and are made in accordance with the State Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education.

Our procedures disclosed instances of noncompliance that resulted in Finding #07-03 and related recommendations. See *Appendix A*.

4. Determine whether the School District's construction project records and files include only active construction projects as of June 30 of the CFY. Ensure that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

Our procedures disclosed instances of noncompliance that resulted in Finding #07-04, Finding #07-05 and related recommendations. See *Appendix A*.

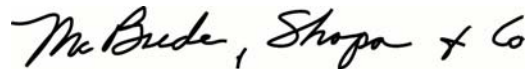
5. Prepare the School District's Schedule of Construction Projects for Fiscal Year 2007.

See *Appendix C*.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Red Clay Consolidated School District management and Board Members and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, the State Treasurer's Office, and the Office of Auditor of Accounts.

Sincerely,



Wilmington, Delaware

April 15, 2008

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***Procedure Agreed Upon #2:***

Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

### ***Finding # 07-01***

Title 29, Section 6962 (d) (8) b states that the security of the unsuccessful bidders should be returned within 60 days after opening of the bids. The bids for renovations for HB DuPont Middle School were opened February 6, 2007. The securities from the unsuccessful bidders were not returned until May 4, 2007, which is considerably more than 60 days. The performance bond was received late from the successful bidder, which caused the delay in returning the bid bonds to the unsuccessful bidders. Noncompliance with Delaware Code provisions could potentially cause a delay in receiving future State funding.

### ***Recommendation:***

We recommend that the district adopt a policy of reviewing each bid package to ensure compliance with the bid bonding requirements of Title 29, Section 6269 (d) (8).

### ***School District Response:***

There are times and circumstances when the receipt of a performance bond is delayed at no fault of the district. Given that delay, subsequent bid bonds are held pending the receipt of the performance bond. Once the performance bond is received, bid bonds are returned to the unsuccessful bidders. On the previous project noted, the receipt of the performance bond was delayed beyond the 60-day limit at no fault of the district. In consultation with the Delaware Attorney General's Office at the time, it was determined that the bid award should proceed. The district will continue to review and closely monitor timing receipt of performance bonds and bid bond returns.

### ***Finding # 07-02***

Title 29 section 6962 (d)(9) a states that simultaneous with the execution of the formal contract, the successful bidder shall also execute a good and sufficient bond to the contracting agency for the benefit of the agency, with corporate surety authorized to do business in this State, in a sum equal to 100 percent of the contract price. The contractor provided the performance bond for the HB DuPont renovations after the contract was signed. The contract was dated February 28, 2007, but the bond was executed May 2, 2007. This is due to an oversight by the School District personnel. Noncompliance with Delaware Code provisions could potentially cause a delay in receiving future State funding.

### ***Recommendation:***

We recommend that the district adopt a policy of reviewing each bid package to ensure compliance with the performance bonding requirements of Title 29, Section 6269 (d) (9).

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***School District Response:***

Timing of signatures has been unclear as the signatures were not previously dated. The district has adopted a policy to ensure contracts are signed and signature dated after receipt of performance bonds.

### ***Procedure Agreed Upon #3:***

Determine if expenditures are accurately stated and are made in accordance with the State Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education.

### ***Finding #07-03***

Payroll costs of \$254,545 were capitalized and included in the Construction Work in Process (CWIP) report during FY 2007. The district was following guidance from the Budget and Accounting Policy Manual, Chapter XV, Section IV, paragraph B.3. Inclusion of payroll costs in CWIP could result in overstatement of CWIP and fixed asset amounts.

### ***Recommendation:***

The district personnel should attend the capital asset training in May to be presented by the Division of Accounting (DOA). During this training DOA will specifically address the topic of payroll in CWIP.

### ***School District Response:***

The Budget and Accounting Policy Manual, Chapter XV Fixed Assets, Section IV, Recording of Assets, paragraph B.3 states that payroll costs may be capitalized as fixed assets. The district has no disagreement in principle with excluding payroll costs but has received no guidance from the State nor revision of the policy manual that this was no longer the case. The district should not receive a finding for following currently published procedures.

District personnel have attended the capital asset training given by the Division of Accounting and in the future will adhere to the revised guidelines.

### ***Procedure Agreed Upon #4:***

Determine whether the School District's construction project records and files include only active construction projects as of June 30 of the CFY. Ensure that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***Finding #07-04***

Completed projects deleted from CWIP in the GAAP package should be reconciled to DFMS Report F25F4105 and the other supporting schedules. During our agreed-upon procedures, we noted the GAAP Package as of June 30, 2007 did not agree to the DFMS Report F25F4105. The GAAP Package stated that there were no deletions from CWIP, while DFMS Report F25F4105, states that \$54,038,273 worth of assets were deleted from CWIP and added to fixed assets. The GAAP package was prepared incorrectly. The effect is an overstatement of CWIP on the GAAP package.

### ***Recommendation:***

We recommend that the district adopt a policy to ensure that the GAAP package is reviewed against all supporting schedules and reports.

### ***School District Response:***

The district has developed procedures to reconcile future GAAP reports including the FY08 package due in August to ensure assets loaded agree with deletions from CWIP. New internal policy dictates one point of contact for capital asset management of land and buildings as related to CWIP.

### ***Finding # 07-05***

The projects listed on the Certificate of Necessity should be found on the GAAP Report of Fixed Assets. There are 8 projects from the Certificate of Necessity Number 9932A (3) / B (3) with proposed funding totaling \$20,500,200 that can not be found on the State of Delaware GAAP Report of Fixed Assets. This includes projects from Forest Oak ES (\$1,985,900), Linden Hill ES (\$529,200), Richey ES (\$533,100), Conrad MS (\$4,100,500), Wilmington Campus (\$4,830,700), Dickinson HS (\$2,527,700), McKean HS (\$4,081,900), and Telegraph Road (\$1,911,200). This is due to an oversight by the School District personnel. The effect is the potential understatement of \$20,500,200 in fixed assets as reported in DFMS.

### ***Recommendation:***

We recommend that the district adopt a policy to ensure that the GAAP Report of Fixed Assets is reviewed each year against all supporting schedules and reports.

### ***School District Response:***

The district will make the necessary correction to the GAPP Report of Fixed Assets. New internal policy dictates one point of contact for capital asset management of land and building projects. This will ensure that asset records are maintained and reported consistently.

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# SCHEDULE OF PRIOR YEAR FINDINGS

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## APPENDIX B

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### **FINDING 04-03**

We noted during our agreed-upon procedures that the following unencumbered monies for construction projects had not reverted to the State as directed by Delaware Code, Title 29, Section 7515, which states, “Any sum of money which has been appropriated or allocated to any school district by the State under any school construction bond authorization act which remains unexpended 1 year after pupil occupancy of any school building constructed under the school construction bond authorization act authorizing the construction shall revert to the State and shall be deposited to a special account to be applied against future school construction bond requirements.”

<u>School Project</u>	<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Unencumbered Fund Balance</u>
McKean High	2000	0810	\$ 648
McKean High	2000	7010	432
Conrad Middle	2000	0812	4,616
Conrad Middle	2000	7012	3,077
Dickinson High	2000	0813	539
Dickinson High	2000	7013	359
Forest Oak Elementary	2000	0814	137
Forest Oak Elementary	2000	7014	91
Highlands Elementary	2000	0816	3,340
Highlands Elementary	2000	7016	2,226
Linden Hill Elementary	2000	0817	12
Linden Hill Elementary	2000	7017	8
Marbrook Elementary	2000	0818	3,813
Marbrook Elementary	2000	7018	2,509
Richardson Park ILC	2000	0820	2,798
Richardson Park ILC	2000	7020	1,865
Telegraph Road	2000	0824	9,828
Telegraph Road	2000	7024	6,552
Warner Elementary	2000	0825	417
Warner Elementary	2000	7025	278
Cab Calloway SOTA	2000	0826	6,433
Cab Calloway SOTA	2000	7026	4,289
AI DuPont HS	2000	0827	1,939
AI DuPont HS	2000	7027	699
Richey Elementary	2000	0828	17,588
Richey Elementary	2000	7028	<u>11,725</u>
			<u>\$86,218</u>

### **RECOMMENDATION**

We recommend that school district management adopt a policy where unencumbered school construction funds in excess of one fiscal year after occupancy revert to the State as required by Delaware Code, Title 29, Section 7515.



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# SCHEDULE OF PRIOR YEAR FINDINGS

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APPENDIX B

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## **AUDITEE'S RESPONSE 06/30/04**

The small outstanding balances remaining in some previous Major Capital Improvement Program accounts will be expended prior to June 30, 2005 under the terms and conditions of the Certificates of Necessity for those projects. Any unexpended balances remaining on July 1, 2005 will be returned to the State (60%) and to the District (40%).

## **CURRENT STATUS 06/30/05**

We noted during our procedures that the following major capital improvement projects had yet to revert the unencumbered fund balance as of June 30, 2005.

<u>School Project</u>	<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Unencumbered Fund Balance</u>
McKean High	2000	7010	\$ 432
Conrad Middle	2000	0812	252
Conrad Middle	2000	7012	168
Dickinson High	2000	7013	350
Forest Oak Elementary	2000	7014	91
Linden Hill Elementary	2000	7017	8
Telegraph Road	2000	0824	860
Telegraph Road	2000	7024	909
Cab Calloway SOTA	2000	0826	5,005
Cab Calloway SOTA	2000	7026	3,337
Richey Elementary	2000	0828	16,208
Richey Elementary	2000	7028	<u>10,805</u>
			<u>\$38,425</u>

## **AUDITEE'S RESPONSE 06/30/05**

The remaining unencumbered balances will revert to the state reversion account as required by the Delaware Code, Title 29, Section 7515. Any unexpended balances remaining on July 1, 2005 will be returned to the State (60%) and to the District (40%). This reversion will occur according to the appropriation end date, which is determined by the Delaware Financial Management System (DFMS).

## **STATUS 06/30/06**

We noted during our procedures that the following major capital improvement projects had yet to revert the unencumbered fund balance as of June 30, 2006.

<u>School Project</u>	<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Unencumbered Fund Balance</u>
Richey Elementary	2000	7028	<u>\$3,939</u>

## **AUDITEE'S RESPONSE 06/30/06**

The remaining unencumbered appropriation balance of \$3,939 was to revert to the State Reversion Fund as of June 30, 2006. The action to revert the funds is outside the control of the school district; the State Budget Office is responsible for the reversion of the funds, not the school district.

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# SCHEDULE OF PRIOR YEAR FINDINGS

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APPENDIX B

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**CURRENT STATUS 06/30/07**

The remaining unencumbered appropriation balance of \$3,939 reverted to the State Reversion Fund as of June 30, 2007.

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## SCHEDULE OF PRIOR YEAR FINDINGS

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APPENDIX B

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The following schedule summarized the prior year findings and the status of the prior year findings.

Prior Year Finding	Recommendation	Status of Prior Year Finding
Finding 04-03	We recommend that school district management adopt a policy where unencumbered school construction funds in excess of one fiscal year after occupancy revert to the State as required by Delaware Code, Title 29, Section 7515.	<u>Implemented</u>

**Status Key:**

Implemented

The concern has been addressed by implementing the original or an alternate corrective action.

Not Implemented

The corrective action has not been initiated.

Partially Implemented

The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

# SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/07
Shortlidge Academy	2004	127,500		127,500		127,500	127,500	0
Shortlidge Academy	2006	3,767,820		3,767,820	2,909,786	168,189	3,077,975	689,845
McKean High	2004	715,700		715,700	0	715,700	715,700	0
McKean High	2005	16,575,200	45,880	16,621,080	8,839,586	6,422,642	15,262,228	1,358,852
Conrad Middle	2004	1,136,800		1,136,800	23,551	1,113,249	1,136,800	0
Conrad Middle	2005	14,018,600	(1,176,552)	12,842,048	6,435,530	4,423,953	10,859,483	1,982,565
Dickinson HS	2004	784,100		784,100	0	784,100	784,100	0
Dickinson HS	2005	18,408,400	(195,604)	18,212,796	7,702,395	8,175,957	15,878,352	2,334,444
JD Athletic Fields	2006	100,000		100,000	0	0	0	100,000
Forest Oak Elementary	2004	4,954,200	19,231	4,973,431	236,183	4,722,203	4,958,386	15,045
Highlands Elementary	2003	2,904,600	289,937	3,194,537	5,296	3,189,240	3,194,536	1
Linden Hill Elementary	2004	4,512,000	236,699	4,748,699	168,124	4,552,207	4,720,331	28,368
Marbrook Elementary	2004	136,000		136,000	0	136,000	136,000	0
Marbrook Elementary	2006	3,640,500		3,640,500	92,251	116,017	208,268	3,432,232
Richardson Park & ILC	2004	307,800		307,800	0	307,800	307,800	0
Richardson Park & ILC	2005	461,700		461,700	44,457	380,388	424,845	36,855
Richardson Park & ILC	2006	7,779,900		7,779,900	5,053,827	524,541	5,578,368	2,201,532

# SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/07
Skyline Middle	2004	268,200		268,200	0	268,200	268,200	0
Skyline Middle	2006	7,181,000		7,181,000	4,381,013	204,040	4,585,053	2,595,947
Telegraph Road	2004	135,800		135,800	0	135,800	135,800	0
Telegraph Road	2006	203,700		203,700	110,516	38,688	149,204	54,496
Telegraph Road	2007	3,433,800		3,433,800	40,701	0	40,701	3,393,099
Warner Elementary	2004	7,945,000	732,604	8,677,604	1,563,943	7,062,800	8,626,743	50,861
Wilmington Campus	2004	850,700		850,700	0	850,700	850,700	0
Wilmington Campus	2006	1,276,000		1,276,000	490,548	295,538	786,086	489,914
Wilmington Campus	2007	13,953,600		13,953,600	277,505	0	277,505	13,676,095
Al DuPont HS	2004	497,300		497,300	0	497,300	497,300	0
Al DuPont HS	2005	10,169,900	250,000	10,419,900	7,140,755	2,001,431	9,142,186	1,277,714
Richey Elementary	2000	109,100	(20,147)	88,953		88,953	88,953	0
Richey Elementary	2004	4,995,300	12,474	5,007,774	26,040	4,952,060	4,978,100	29,674
Lewis Elementary	2004	143,200		143,200	0	143,200	143,200	0
Lewis Elementary	2005	214,800		214,800	44,852	139,644	184,496	30,304
Lewis Elementary	2006	4,017,360		4,017,360	2,932,860	121,735	3,054,595	962,765
Brandywine Springs	2004	17,800		17,800	0	17,800	17,800	0
Brandywine Springs	2006	26,800		26,800	451	26,346	26,797	3
Brandywine Springs	2007	451,900		451,900	9,240	0	9,240	442,660

# SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/07
North Star ES Land	2003	2,575,000		2,575,000	68,980	2,500,420	2,569,400	5,600
North Star Elementary	2004	10,764,300		10,764,300	81,992	10,656,115	10,738,107	26,193
Stanton Middle	2004	210,000		210,000		210,000	210,000	0
Stanton Middle	2005	315,000		315,000	30,866	225,733	256,599	58,401
Stanton Middle	2006	5,309,400		5,309,400	828,118	18,250	846,368	4,463,032
Baltz Elementary	2004	9,120,000	1,151,390	10,271,390	1,151,529	8,748,728	9,900,257	371,133
Mote Elementary	2004	5,134,700	(211,629)	4,923,071	572,389	4,342,585	4,914,974	8,097
Heritage Elementary	2004	160,200		160,200	0	160,200	160,200	0
Heritage Elementary	2006	4,290,700		4,290,700	142,876	169,696	312,572	3,978,128
HB DuPont Middle	2004	305,200		305,200	0	305,200	305,200	0
HB DuPont Middle	2006	457,700		457,700	282,492	28,557	311,049	146,651
HB DuPont Middle	2007	7,413,200		7,413,200	120,489	0	120,489	7,292,711
Meadowwood ILC	2004	88,000		88,000	0	88,000	88,000	0
Meadowwood ILC	2006	132,200		132,200	87,732	44,186	131,918	282
Meadowwood ILC	2007	2,226,100		2,226,100	1,727,235	0	1,727,235	498,865
Al DuPont Middle	2004	131,300		131,300	0	131,300	131,300	0
Al DuPont Middle	2006	3,514,800		3,514,800	1,602,150	218,899	1,821,049	1,693,751
<b>Total</b>		<b>188,369,880</b>	<b>1,134,283</b>	<b>189,504,163</b>	<b>55,226,258</b>	<b>80,551,790</b>	<b>135,778,048</b>	<b>53,726,115</b>
Market Pressure Money Expenditures					318,758		318,758	
<b>Total Expenditures</b>					<b>55,545,016</b>		<b>135,459,290</b>	

Copies of Red Clay Consolidated School District's Agreed-upon Procedures Attestation Engagement have been distributed to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware  
The Honorable Richard S. Cordrey, Secretary, Department of Finance  
The Honorable Jennifer W. Davis, Director, Office of Management and Budget  
Ms. Trisha Neely, Director, Division of Accounting

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

Other Elective Offices

The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General  
The Honorable Jack Markell, Treasurer, State Treasurer's Office

Other

Irwin J. Becnel, Jr., President, Red Clay Consolidated Board of Education  
Martin A. Wilson, Sr., Vice President, Red Clay Consolidated Board of Education  
James Buckley, Red Clay Consolidated Board of Education  
Charles M. Cavanaugh, Red Clay Consolidated Board of Education  
Paul Fleming, Red Clay Consolidated Board of Education  
Gary C. Linarducci, Red Clay Consolidated Board of Education  
Marguerite Vavalla, Red Clay Consolidated Board of Education  
Robert H. Andrzejewski, Ed. D, Superintendent, Red Clay Consolidated Board of Education  
Jill Floore, Chief Financial Officer, Red Clay Consolidated School District  
Marcin Michalski, Major Capital Improvement Program, Program Administrator, Red Clay Consolidated School District